

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE FOR THE IMPLEMENTATION OF)
ENVIRONMENTAL SURCHARGE)

CASE NO.
2004-00321 ✓

and

THE APPLICATION OF BIG SANDY RECC, BLUE GRASS EC,)
CLARK EC, CUMBERLAND VALLEY ELECTRIC, FARMERS)
RECC, FLEMING-MASON ENERGY, GRAYSON RECC, INTER-)
COUNTY EC, JACKSON EC, LICKING VALLEY RECC, NOLIN)
RECC, OWEN EC, SALT RIVER ELECTRIC, SHELBY EC,)
SOUTH KENTUCKY RECC AND TAYLOR COUNTY RECC FOR)
AUTHORITY TO PASS THROUGH THE ENVIRONMENTAL)
SURCHARGE OF EAST KENTUCKY POWERCOOPERATIVE, INC.)

CASE NO.
2004-00372

REQUEST FOR INFORMATION OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits these Requests for Information the Joint Applicants, to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

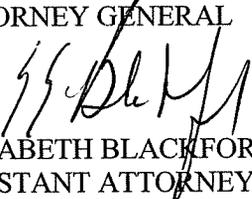
(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,
GREGORY D. STUMBO
ATTORNEY GENERAL


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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 22nd day of October, 2004, I have filed the original and ten copies of the foregoing with the Executive Director of the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601, and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

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Attorney General's Request for Information
Posed to EKPC
Case No. 2004-00321 and 2004-00372

1. At Page 9 of his testimony Bill Bosta states that EKPC will apply the 7.47% calculated environmental expense to the total revenue from sales to each Member System.
 - A. Does the 7.47% calculated expense assume that the member distribution systems are responsible for 100% of the environmental costs of EKPC?
 - B. Will EKPC have any excess capacity upon completion of the Gilbert plant? If so, how much?
 - C. Does EKPC plan to make off system sales from its excess capacity?
 - D. Does EKPC agree that environmental costs are directly related to the amount of energy produced?
 - E. Assuming that EKPC will regularly make off-system sales, does EKPC agree that environmental costs should be allocated over total revenues, including revenues from wholesale and off-system sales in accord with the Commission's decision in Case No. 2002-00149, where it said, "To the extent that Kentucky Power is able to sell power off-system, proper cost allocation requires that the costs attributable to those sales, including environmental costs, be assigned to such sales, rather than being charged to retail sales."? [See, *In the Matter of the Application of Kentucky Power Company d/b/a American Electric Power for Approval of an Amended Compliance Plan for Purposes of Recovering the Costs of New and Additional Pollution Control Facilities and to Amend its Environmental Cost Recovery Surcharge Tariff*, Order dated March 31, 2003, p. 34, which can be found at the website link: [ftp://ftp.psc.state.ky.us/order_vault/2003 Orders/2003 by case number/200200169_03312003.doc](ftp://ftp.psc.state.ky.us/order_vault/2003%20Orders/2003%20by%20case%20number/200200169_03312003.doc)].

2. All proposed tariffs contain the language, "This rate schedule shall apply to all electric rate schedules and all special contracts with rates subject to adjustment upon the approval of the Commission."
 - A. Does EKPC have any special contracts for the provision of service to any customer with rates that are **not** subject to adjustment upon the approval of the Commission?
 - B. If so, please identify each customer served under such a contract, state the amount of power provided under the contract, and provide a copy of the contract containing the pertinent term.
 - C. To the extent that EKPC serves customers under special contracts whose rates not subject to adjustment, who will be responsible for the environmental costs to serve these customers under EKPC's proposed environmental surcharge recovery mechanism?
 - D. Given that EKPC is asserting its statutory right to seek environmental cost recovery pursuant to KRS 278.183, is a tariff that avoids cost recovery from a customer illegal under KRS 278.183 and/or 278.170.
 - E. Please explain why a tariff that seeks environmental cost recovery but avoids all environmental cost recovery from a subset of customers is not void *ab initio*?

3. At page 5 of his testimony, Frank Oliva states that EKPC employs a TIER of 1.15 to calculate its rate of return for environmental cost recovery.

A. Does EKPC agree that the recovery provided by KRS 278.183 and requested here is cost recovery that is not faced with the risk of under-recovery that attends the opportunity to earn afforded by standard rates?

B. Does EKPC agree that the proposed balancing factor it seeks eliminates or nearly eliminates any risk of under-recovery by changing that risk from a risk of non-recovery to a timing risk, in which recovery may be somewhat delayed, but will eventually occur?

C. Assuming the elimination or near elimination of the risk of under-recovery through the operation of the balancing factor, please explain the necessity of a TIER of 1.15 in order to assure that EKPC can meet its debt obligations and comply with the RUS requirement that it maintain a TIER of 1.05 in accord with 7 CFR 1710.

D. Does EKPC agree that a lower rate of return/TIER is appropriate when the risk of the Company is lower?

4. At page 6 of his testimony, Frank Oliva states that EKPC's request for a TIER of 1.15 "allows some flexibility to absorb abnormal expenses or reduction in revenue due to abnormal weather conditions."

A. Please define and describe those "abnormal expenses" that might or would be subject to recovery via the environmental surcharge mechanism.

B. Please explain how abnormal weather conditions create any impact other than a timing difference for cost recovery under this proposed environmental surcharge mechanism given the true-up that will occur under the proposed balancing factor.

5. At page 5 of his testimony, Frank Oliva indicates that EKPC plans to update its average cost of debt at six-month intervals.

A. Is this done by any other utility in their respective environmental surcharge recovery mechanisms or is the average cost of debt updated by other utilities only in two-year reviews?

B. If EKC is proposing a different schedule to update its average cost of debt, please explain why it should be allowed.

6. At page 3-4 of her testimony, Ann Wood indicates that the estimated net book value as of December 31, 1993 for the retired precipitator and retired preheaters and fans will be subtracted from the net book value of the new precipitator and the new preheaters and fans, respectively. Why is an estimated net book value to be used and what will be the basis for arriving at the estimate? Please provide all workpapers and supporting documentation.

7. At page 4 of her testimony Ann Wood states, "As mentioned by Mr. Johnson, the replacement of the preheaters and fans was necessary for the functionality for the SCR on Spurlock Unit 1." Where does Mr. Johnson make the referenced statement?

8. From the reference to the inclusion of the estimated 1993 net book value t Ms. Wood's testimony infers that the preheaters and fans have been a part of Spurlock 1 since at least 1993.

A. What was the function of the preheaters and fans prior to the addition of an SCR at Spurlock 1?

- B. Do the preheaters and fans currently also perform the same function for Spurlock 1 that they performed prior to the installation of the SCR?
- C. If so, why is it appropriate to include the entire cost of the preheaters and fans in the environmental surcharge as NOx control technology?